



THE VOICE OF THE AMERICAN HOMEOWNER

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DOCKET FILE COPY ORIGINAL

In Re: *RM-8491*

Petition for Relief from Unjust and
Unreasonable Discrimination in the
Deployment of Video Dialtone Facilities

RECEIVED

JUL 12 1994

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

July 12, 1994

Mr. William Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

Dear Mr. Caton:

Enclosed are the original and seven copies of the Comments of the United Homeowners Association in the above referenced proceeding.

Sincerely,

A handwritten signature in cursive script, appearing to read "Jordan Clark".

Jordan Clark
President

DO NOT PUT COPY ORIGINAL

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of

Petition for Relief from Unjust
and Unreasonable Discrimination
in the Deployment of Video
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OFFICE OF SECRETARY

COMMENTS OF THE UNITED HOMEOWNERS ASSOCIATION

The United Homeowners Association (UHA) represents the interests of America's 65 million homeowners. We believe that advanced information technologies are becoming more essential in the everyday lives of our constituents.¹

UHA strongly supports affordable access to information age services for all homeowners. We are submitting these comments to explain why we think the Commission should reject the Petition for Relief filed on May 23, 1994 ("Petition") in the above referenced proceeding.

UHA leaves to others, specifically the four regional Bell companies whose video dialtone ("VDT") applications are subjects of the Petition, the task of rebutting the allegations upon which the Petitioners base their claims. We simply note that materials made

¹ See United Homeowners Association. Home Telecommunications Services: Homeowners Want More Choices. December 1993 (attached as Appendix I)

available by the regional Bell companies indicate that the study upon which the Petition is based is flawed and inaccurate.

UHA believes that charges of "redlining" are inappropriate in the initial stages of network deployment. UHA also believes that the requested remedy could significantly delay Commission action on pending VDT applications. Finally, UHA believes that the Commission should, at a minimum, take no action on the Petition until the end of the 103rd Congress as pending telecommunications legislation addresses the issues raised in the petition.

Redlining Charges are Premature:

Redlining refers to the practice of denying products or services to would-be customers on the basis of geography, rather than on purely market factors. As advocates for America's 65 million homeowners, UHA is familiar with allegations of redlining in the mortgage and insurance industries. Federal and state governments have taken, and continue to take action to address redlining concerns.

UHA opposes redlining and we consider it especially insidious when geographic location is used as a short-hand for the racial, ethnic or income characteristics of a neighborhood.

Concerns about initial deployment patterns in the emerging video services industry are, however, very different from the concerns that may be appropriate in an established industry in which historical patterns of business activity can be studied and documented. Video dialtone service, on the other hand, is still

being refined and tested. It is our understanding that few VDT applications have been submitted to the Commission and only one has been approved.²

Furthermore, we do not yet know which types of new telecommunications services will become essential for everyday living and which will gain broad market acceptance. The market test and roll-out plans that are the subjects of the Petition reflect first forays into new markets. The companies applying to offer these services should, therefore, be afforded the flexibility that is needed to test market conditions and consumer receptivity.

Just as important, the very character of VDT services and the infrastructure required to deliver VDT services make it impossible to simply "turn on" an entire geographic region at once. Deployment will, by necessity, come in stages.

Granting Requested Relief Could Delay Action on Pending VDT Applications:

If the Commission were to grant the relief as requested in the Petition, it would create a huge administrative burden for the agency and further delay action on pending VDT applications.

UHA believes that VDT holds significant benefits for homeowners. Competition from VDT networks will put downward pressure on cable television rates. Homeowners will have additional programming choices. And advanced fiber/coax networks

² On July 6, 1994 the Commission approved Bell Atlantic's application to provide video dialtone service in Dover Township, New Jersey. As a result, homeowners in Dover Township will enjoy the benefits of competition for cable television service.

will allow homeowners to be producers of information thereby enhancing First Amendment rights.

The Petitioners are, in effect, asking the Commission to put these benefits on hold based on their analysis of preliminary network deployment plans. UHA opposes any further delay in Commission action on pending VDT applications.

The Commission Should Not Act Until the 103rd Congress Adjourns:

At a minimum, the Commission should take no action on the Petition until the 103rd Congress adjourns. Legislation approved by the House of Representatives, H.R. 3636, specifically address the issues raised in the Petition. Section 201 of H.R. 3636 amends Title VI of the Communications Act to add a new Part V. Section 653(b)(1)(G) of new Part V provides that the Commission shall prescribe regulations that:

"prohibit a common carrier from excluding areas from its video platform service area on the basis of ethnicity, race, or income of the residents of that area, and provide for public comments on the adequacy of the proposed service area on the basis of the standards set forth under this subparagraph."

The accompanying Committee report notes, in part, that:

"The Committee believes this provision is necessary to ensure that common carriers recognize an affirmative obligation to build-out new video dialtone service in a manner that does not disadvantage communities on the basis of the ethnicity, race, or income of the residents of a geographic service area." (emphasis added)³

Clearly the Committee recognizes that any assessment of a

³ Committee on Energy and Commerce. National Communications Competition and Information Infrastructure Act of 1994. House Report 103-560. At 80.

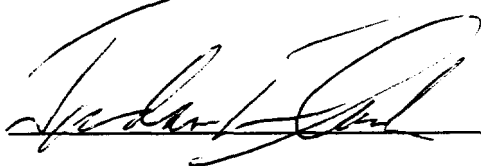
common carrier's provision of video dialtone services can not and should not be based on the preliminary deployment plans that are the basis for the Petitioners request. Rather, long-term build-out plans are the appropriate focus. UHA concurs and believes that build-out plans announced by the regional Bell companies demonstrate their commitment to providing video dialtone service throughout their service areas without regard to race, ethnicity or income.

Whether or not these provisions of H.R. 3636 are enacted into law, UHA believes that the approach outlined therein, i.e., the focus on build-out not roll-out, is the correct approach.

UHA encourages the Commission to ensure that all homeowners have access to new information age services as soon as possible. We believe that the Petition does little to advance that goal. UHA, therefore, urges the Commission to reject the Petition.

Respectfully submitted,

THE UNITED HOMEOWNERS ASSOCIATION

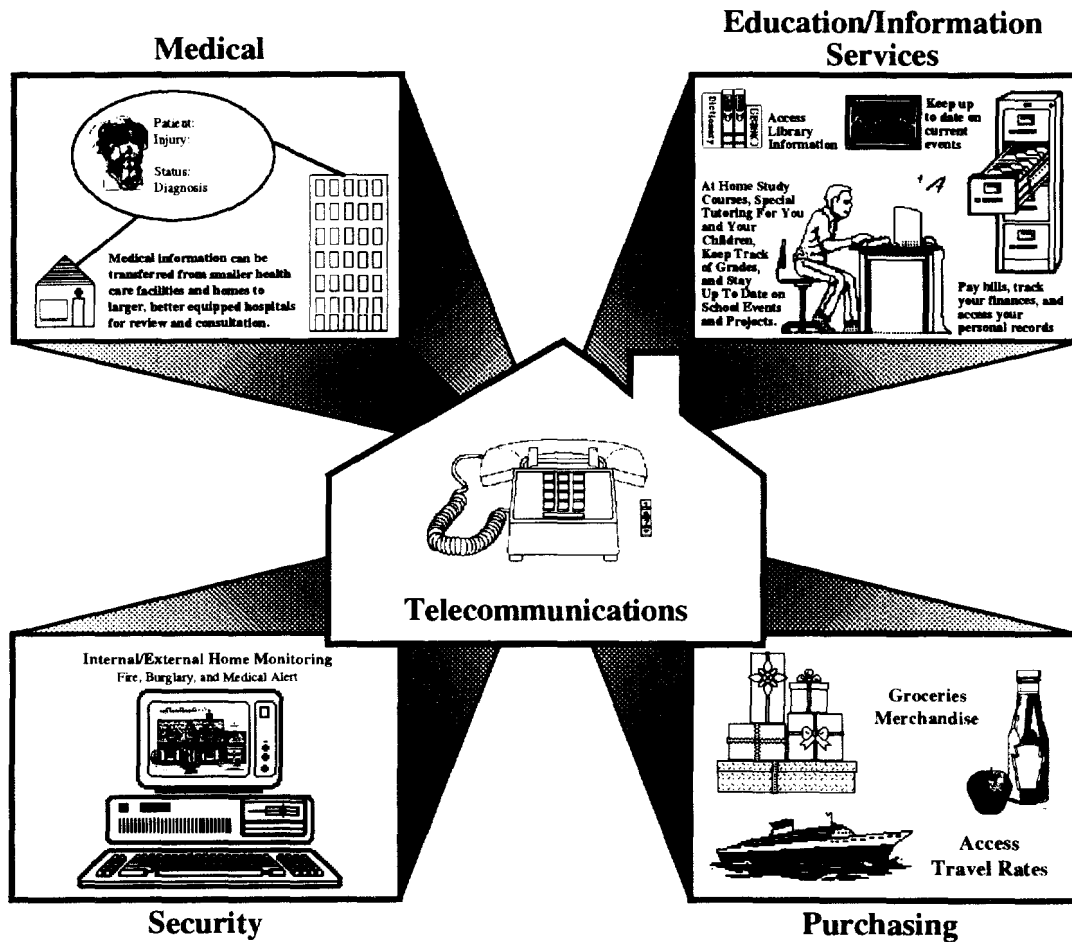
A handwritten signature in dark ink, appearing to read 'Jordan Clark', is written over a horizontal line.

Jordan Clark, President
United Homeowners Association
1511 K Street, NW
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July 11, 1994

APPENDIX I

Home Telecommunications Services: Homeowners Want More Choices




**United
Homeowners**
 Association
 December 1993

Home Telecommunications Services: Homeowners Want More Choices

Introduction

Just a few years ago, having call waiting or touch-tone service was considered innovative. Today, telephone services are available that can change the way we work, educate ourselves and our children, keep us in touch with what's happening around the world, and maintain a healthy, productive lifestyle. You can, for example:

- use an electronic scanner hooked into your phone to order merchandise, buy groceries, or pay your mortgage;
- plug your computer into the phone line and access nearly infinite amounts of information. You can earn a college degree, buy stocks, or find the best deal on a new car without leaving your den;
- receive messages on your personal voice mail system, even while you are on the phone;
- use your telephone and TV to check on your child's school assignments, their progress in school, or confer with their teachers;
- dial a number by speaking the person's name into the telephone.

Advanced telephone services are not just a "gee-whiz" addition to the home, but necessary to support changing lifestyles

What's driving these new services? Changes in consumer lifestyles. Advanced telecommunications services are not just a "gee-whiz" addition to the home, but necessary to support changing lifestyles.

The pace of technological change pales in comparison to the rapid changes affecting American lifestyles. Once uncommon, single-parent homes, two wage-earner homes, and "latchkey" kids are now well established. And even more lifestyle changes are emerging:

- the "graying" of America is producing ever-increasing numbers of elderly households — maintaining an active and independent senior lifestyle is critical in keeping health care costs down;
- people are starting to 'commute' to their jobs without leaving home — "telecommuters" help reduce traffic congestion and pollution, keep businesses competitive, and maintain a satisfactory family structure.

Supporting these new lifestyles will require even more advanced telecommunications services in the home.

The first step is to make these services more readily available to homeowners. The marketplace is responding to these needs, exploding over the past decade with new players, options, and service providers. Telephone companies, cable TV operators — even foreign companies — are working to bring more choices to homeowners. But, the market is being restrained and confined in key areas.

Restricting how a market develops nearly always reduces choices, increases prices, and, ultimately, undercuts economic competitiveness

Restricting how a market develops nearly always reduces choices, increases prices, and, ultimately, undercuts economic competitiveness. This is especially true with home telecommunications services, given their importance to homeowners' lifestyles.

The telephone companies are ready to bring the advanced technologies necessary for our changing lifestyles to the home. Unlike all other players, the telephone companies have a long, favorable history with consumers and an established, solid track record. Most importantly, the telephone companies are mandated to provide "universal service." Simply put, universal service means that service must be provided to **all** customers who want it, not just a privileged few. Advanced telecommunications services provided by the telephone companies could be available to everyone who wants them.

There are roadblocks, such as antiquated public policy, that are preventing the telephone companies from offering consumers the choices they need and want.

The close link between lifestyles and home telecommunications services makes it essential that all homeowners be aware of the issues that are limiting their choices. This White Paper discusses the close relationship between new home telephone services and changing lifestyles. Using examples from around the country, we "peek into the future" to see how homeowners are using new services, and the potential for the near future. Lastly, we examine the stumbling blocks that are hindering achieving this potential, and what can be done to solve the problem.

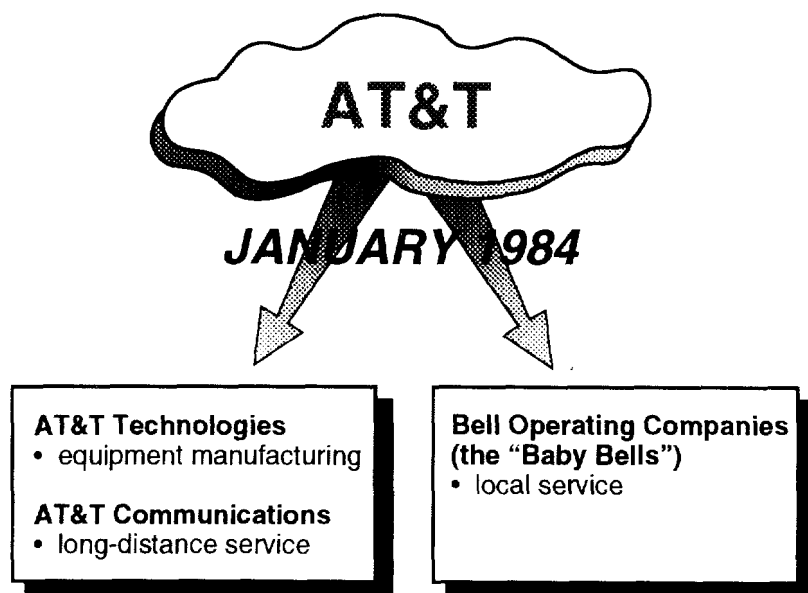
A Changing Market

Many of us can remember when "the telephone company" meant a single company that provided everything from the dial tone to the telephone. This degree of industry control did have its benefits while the public network was forming, but proved to be inadequate as technology developed and consumers wanted more choices.

In 1982, AT&T and the Department of Justice came to an agreement on an antitrust case filed in 1974 charging AT&T with uncompetitive behavior. This agreement, known as the Modified Final Judgement, split AT&T into three parts: long-distance service, manufacturing, and local service. After years of discussions and maneuvering, "Ma Bell" ceased to exist on January 1, 1984.

AT&T retained control of long-distance and manufacturing, but local service came under the responsibility of 22 separate Bell Operating Companies (BOCs), grouped together as seven independent regional firms. This group of seven Regional Bell Operating Companies (RBOCs) became known as the "Baby Bells."

BREAKING UP MA BELL

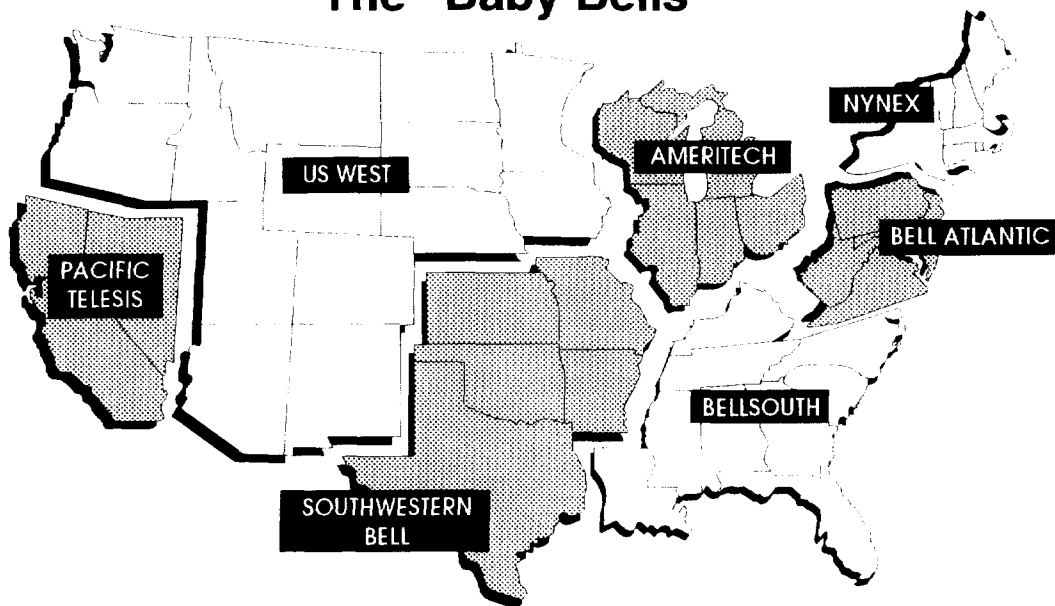


The Modified Final Judgement opened up some markets, such as long-distance, to greater competition. But the ruling also limits competition, restricting the types of services the Baby Bells can offer homeowners. These restrictions include:

- **no manufacturing** — the Baby Bells cannot manufacture the equipment they use or provide to their customers;
- **limited service areas** — the Baby Bells can provide service only within defined, limited geographic areas. This restriction eliminates the Baby Bells from providing any type of long-distance service;
- **information services** — the Baby Bells were initially barred from offering information services. Although this restriction is loosening somewhat, the Baby Bells are still constrained in how they can offer these services.

Also, as a result of the Cable TV Act of 1984, the Baby Bells cannot own cable TV companies in their local area.

The “Baby Bells”



Do these restrictions help or hurt homeowners today? It's clear that more competition encourages lower prices. When the long-distance market was opened to competition, prices went down quite rapidly at first. Now, however, competition has slowed to the point where the market is essentially controlled by three companies. As competition slows, prices are going up. Allowing the Baby Bells to provide long-distance service will pick up the competitive pace, providing consumers with more choices and the opportunity for lower prices. Recent studies estimate that the cost of long-distance calls could be cut by as much as 50 percent if local telephone companies are allowed to compete for your business.

It's difficult to predict how fast technologies and markets can change. For example, the personal computer market has exploded over the past decade. Once rare, PCs are now in virtually all businesses and about a third of all households. In 1982 cable was a novelty. Today, cable is in about 60 percent of all homes. New technologies using digital formats — the language of computers — are now available and ready for installation. Telecommunications, computers, and mass-media are merging into a single industry that can deliver a wide-range of services to the homeowner over a single device.

Outdated restrictions must be re-evaluated considering these new technologies and market conditions. Decisions made a decade ago simply could not anticipate how new lifestyles would drive the development of new services.

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The restrictions were intended to help the market develop, protecting emerging new players, such as cable TV operators, from competition while they were developing. The marketplace has changed so much over the past decade that rules intended to help develop the market are now doing just the opposite.

A Peek at the Future

What lies in the future for home telecommunications services? There is the potential for dramatic change. The key word, however, is **potential**, since the telephone companies are restricted from providing a full-range of new services.

To illustrate this point, listed below are brief descriptions of current capabilities in the key home technology areas of security, medical services, telecommuting, home/telephone services, and education/information services. These current capabilities are followed by a description of services homeowners could have in the next few years if market restrictions are removed.

1. Security

Every homeowner is concerned about security. Everyone needs to protect their homes and possessions, and make sure the proper authorities are notified quickly in case of a medical emergency or fire. Services are available today that will automatically monitor conditions in your home while you are away, telephoning for help in case of emergency. You can be assured that your children, or an elderly parent, are secure in your home even when you aren't there.

The technology is available to provide far more encompassing security services. Besides systems calling out for emergency response, you could call your home to check to see if you remembered to turn off appliances. Instead of having to put together a collection of different products from different manufacturers, you could have a single central system that takes care of all types of security and convenience.

The need for easy-to-use, comprehensive home security will increase, especially as more and more elderly homeowners strive to maintain an independent lifestyle

The need for easy-to-use, comprehensive home security will increase, especially as more elderly homeowners strive to maintain an independent lifestyle. The telephone company is positioned to deliver a full-service approach, providing homeowners with both the equipment and the communications necessary to keep you and your family safe and secure.

2. Medical Services

Affordable health care is a top priority for most homeowners. However, not everyone has access to top-notch health care facilities, especially rural and inner-city homeowners. Some smaller health care facilities are already using technology to bring high-quality care closer to home through such elementary techniques as transferring X-rays to larger facilities for review and consultation.

The technology is ready to be installed that will allow a doctor to make an "electronic house call"

These types of services, however, are only a first step, since transmission distance and speed are limited. Far more is possible in what's beginning to be called "telemedicine." This emerging application uses new telecommunication tools to deliver medical services to poorly served areas. Telemedicine also provides consumers with up-to-date information that allows them to make informed decisions about their health care, and reduces paperwork and allows easy access to patients' medical records.

Telemedicine can cut health care costs several ways. For example, health care facilities will not need to provide all types of services — they can specialize in key health care areas, cutting costs through economies of scale. High-speed long-distance networks will transmit the necessary information and images.

High-tech does not have to mean impersonal. The technology is ready to be installed that will allow a doctor to make an "electronic house call," maintaining the essential person-to-person contact without raising health care costs to unaffordable heights.

3. **Telecommuting**

For many people, commuting to the office is both time consuming and expensive. Mass transit helps, but is often unavailable or inconvenient. Some homeowners are avoiding the commute entirely. For these "telecommuters," going to the office means walking into their den or spare bedroom.

Telecommuting can be structured in any number of ways, but usually entails hooking a personal computer, facsimile machine, and other devices to the office via the telephone line. Telecommuters can "bounce" calls from their office so they ring in their home office, and transmit work done on their home computer to their office computer.

Telecommuters are finding that technology can help maintain the family structure they want while allowing them to pursue their careers.

Telecommuting is more than just a convenience for some homeowners. Parents can care for their children in their home, saving the expense and strain of day care services. Telecommuters are finding that technology can help maintain the family structure they want while allowing them to pursue their careers. Businesses can cost-effectively expand their work force, since telecommuters are often less expensive to support than conventional workers.

High-speed digital transmission services can expand telecommuting to reach a far greater audience. Besides expanding work-from-home opportunities, these services enable telework centers. These centers, located near residential areas, substantially cut down on commuting time and distance, while allowing businesses to attract a quality work force despite location. Telecommunication services will support changing work patterns and lifestyles.

4. **Home and Telephone Services**

Most people are familiar with services such as call-waiting, which alerts you when another call is coming in while you are talking on the phone. Beyond call-waiting, there are several other services available today from the telephone company. These include:

- services that allow you to "split" a single phone line into two or more different phone numbers. You can have one number for your main telephone, another for your fax machine, or one for your teenage son or daughter;
- voice mail services similar to systems used by most businesses;

- services that forward your telephone calls so you can always be reached in case of an emergency.

All these services work with the telephone lines already in your home, so no additional wires or outlets are usually needed.

Your telephone line could deliver far more than a conversation. Multimedia services, blending voice, video, and computer information, are on the horizon. These services, also known as "interactive TV" and "video-on-demand," can provide information, entertainment, education, and a host of other services directly to your home. The telephone companies have the technology, skills, and capacity to offer these, and other services to support new lifestyles when they are permitted to do so.

***Your telephone line
could deliver far more
than a conversation***

5. Education and Information Services

Millions of homeowners use on-line computer services. These services, accessed by hooking your personal computer into the telephone line, provide everything from news to home financial services to games and education. However, as almost anyone who has a home computer can attest, hooking into these services can be difficult. And if you don't have a home computer, you miss out on the opportunity.

***The dream of an
"electronic town hall"
can be a reality***

The telephone companies are looking to provide education and information services that can be easily used and accessed by homeowners. You could, for example, use a more simple access device than a computer, perhaps a system that plugs into your TV set. The dream of an "electronic town hall" can be a reality.

What's Holding Back These Services?

What's holding homeowners back from having the choices these services offer? In a word, restrictions.

The telephone companies are restricted from offering many of these services. They can't, for example, manufacture equipment. This restriction opens the door to foreign competitors. While foreign companies may produce good products, they often don't provide jobs for Americans. So while American telephone companies are forbidden to manufacture equipment, Japanese, German, Korean, and other overseas companies have free access to our markets. Thus, this issue cuts deeper than choices for the homeowner, affecting American economic competitiveness.

***This issue cuts deeper than
choices for the homeowner,
affecting American economic
competitiveness***

Other restrictions limit the service area of the local telephone company. They can't, for example, provide cost effective regional telecommuting if the region is intersected by artificial service area lines drawn in the wake of the AT&T breakup. If they can't connect your suburban home office with your company's office in an urban center, you can't get to work.

Cable ownership restrictions prevent the telephone companies from providing cable service to their customer base, but allows them to provide service in other markets. For example, a telephone company in Virginia can't provide cable service in Virginia, but can provide it in California. Restrictions prevent the telephone companies from providing services to their own customer base, the customers they know well and already provide with telephone services. They are prevented from providing competition to local monopoly cable operators, competition that can cut cable rates by as much as 30 percent.

Although the telephone companies are restricted from offering long-distance and cable services and manufacturing equipment, competitors are preparing to enter the local market. Cable operators, long-distance companies, and others are preparing to offer local telephone service. They argue that consumers will benefit from competition while jealously guarding their monopolies and oligopolies by keeping the Baby Bells out of cable and long-distance businesses. Homeowners will benefit from competition, but only if competition is fair and two-way.

And homeowners will benefit because the telephone companies are committed to universal service, and have pledged to spend hundreds of billions of dollars to improve telecommunication systems throughout the country. No other service provider can provide this level of investment that would benefit all homeowners.

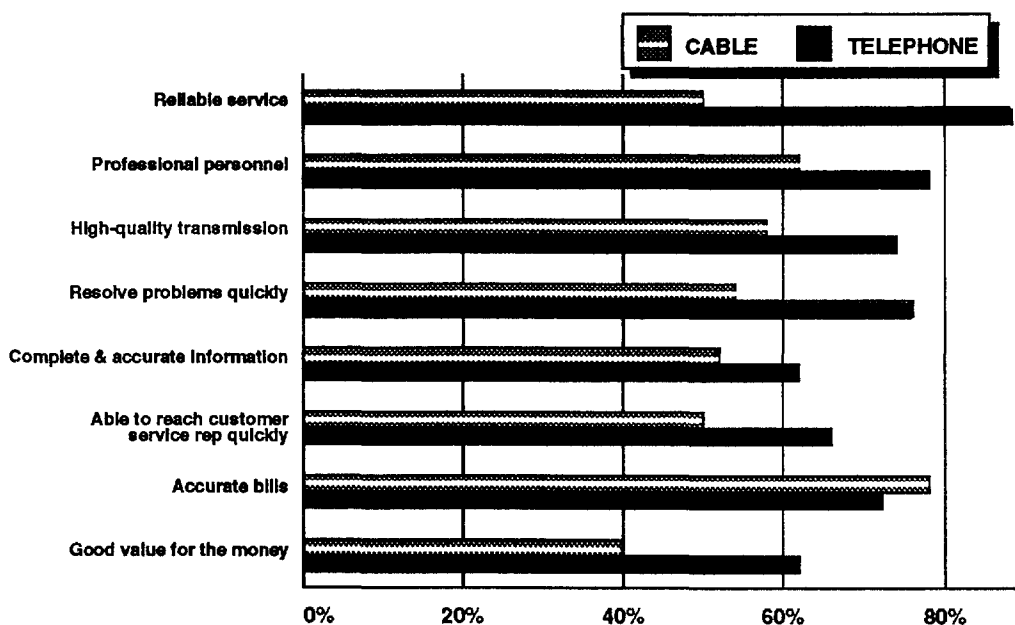
Universal service has been the hallmark of communications policy in this country since 1934. But today, only the local telephone companies are committed to making new services and technologies available to all homeowners.

Universal service has been the hallmark of communications policy in this country since 1934. But today, only the local telephone companies are committed to making new services and technologies available to all homeowners. For example, companies called "competitive access providers" are competing with local telephone companies to connect businesses to long-distance networks. They can "cream skim" the telephone companies' biggest customers because they are not obligated to serve all customers. This kind of unfair competition will produce information "have's" and "have-nots." Unless everyone is allowed to compete fairly, homeowners could face growing telephone bills and fewer services.

Some cable companies are looking to provide telephone service to consumers. However, consumer polls clearly show that the telephone company is the outright winner among consumers in key areas such as reliability, resolving problems quickly, customer service, and professional personnel.

The telephone companies have a long history of public service. Unlike other players, the telephone companies don't have to learn their lessons by trial and error, but can draw upon their past experiences.

Whom Consumers Trust



Source: The Yankee Group, 1992

Agenda for Change

It's been seen repeatedly that an open, competitive marketplace brings consumers more choices, lower prices, and better services. This is clearly the case with home technologies. Opening the marketplace so everyone can compete fairly will create a clear winner — the homeowner.

How will this happen? By encouraging Congress to remove restrictions barring the telephone companies from long distance services, cable TV ownership, and equipment manufacturing. Eliminating these restrictions will level the playing field, allowing homeowners the opportunity to choose from a broader selection of services at competitive rates.

Eliminating these restrictions will level the playing field, allowing homeowners the opportunity to choose from a broader selection of services at competitive rates

The restrictions imposed on the telephone companies in the 1980s were meant to protect the other market players from competition, so they could develop and provide services. The situation is quite different today. The telephone companies face significant competition on all fronts. Today, the restrictions are preventing the telephone companies from providing homeowners with the services they want and need to support changing lifestyles. Untying the telephone companies will produce a healthy, competitive marketplace that delivers the services homeowners need to enter the next century.

For more information on this issue, please call or write:

Mr. Albert Clark

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